

The BRIDGE

The Credit Union Way to Economic Betterment



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A Letter to Edward A. Filene

DEAR Mr. Filene:

The war which you foresaw in 1937 is right in our laps now.

Before you died in Paris, you called on America, Britain, France, Russia and China to unite against the totalitarian menace. It took a long time for the union to take place; France was bagged and chloroformed and glued like a butterfly in Hitler's memory book; England and China fought in lonely heroism while Russia supplied the Germans with oil and the American State Department shipped scrap iron to Japan.

But the Axis couldn't be bought. Russia was attacked, and last month the Japanese began dumping American scrap on our Pacific naval bases. It's a world war now, and we're in it.

You would be glad to know that there are a lot of people who see that something good has to come out of this war. It is common talk today that the world will have to be set up on an economic basis which will permit all peoples to live by decent standards. The cooperative way of life is beginning to look awfully good to a lot of people, and democracy is ceasing to be merely a mechanism and beginning to be a faith. The pleas you made for cooperative economic democracy make inspiring reading today.

YOU never kidded yourself that it was going to be easy, and we are not kidding ourselves now. But we credit union members, who owe so much to you, know that we are on the right track. If we have to fight for our way of doing things, it's not our choice but we're up to it.

War is a big job and a dirty job, but the biggest job of all no doubt will follow the war. Then the temptation to relax and forget our problems for a few years will be tremendous. We credit union members hope we will be able to keep our heads at that point; we hope we will be able to keep our eyes on the ball. We have learned through our credit union activity that we can solve our own problems by our own united action, and we know we have the duty of telling other people about it.

We need men like you. We wish you were here. But we're big boys now; there are three and a half million of us. We know some things that they don't teach in Germany or Japan.

—THE EDITORS

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THE BRIDGE

A Monthly Magazine Devoted to the Credit Union Movement

Volume 6

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Number 11

Our job in a world at war

CREDIT unions in a world at war have two obligations—to their country and to their members. The obligation to country is easily grasped and can be discharged in ways that are well understood, specifically by the sale of Defense Bonds. The obligation to members is more complicated, involves a greater variety of factors and calls for intense thought.

Some credit union members have, up to now, benefited financially by the defense program. Their wages have gone up faster than the cost of living. Many have used the additional income to pay off old debts, to invest in Defense Bonds or to improve their standard of living. Some have doubtless been spending their money at a rate which will not be possible a few months from now.

Most credit union members, however, have not received increased income. The many members working in non-defense industry or on the public payroll are already faced with shrinking purchasing power. Adjusting their lives to these new conditions, they will doubtless need the credit services of their credit unions to help them make the adjustment as smoothly as possible.

All credit union members may expect much the same developments in the future: an increasing number of members leaving for military service, rising living costs, a growing tax burden and, with the end of the war, economic dislocation and unemployment.

Washington has produced much talk and little action on the problem of war-time inflation. There seems to

be more willingness to freeze wages than to freeze prices. How this will help the fifty million people who work for a living is a puzzling question. Perhaps, now that a state of war actually exists, the desire to protect profits rather than purchasing power will decrease, but this seems unlikely. It is easy to say that we are now a united country, and as far as desiring to win the war goes it is true; but we still have domestic problems that will cause friction, and they will not be solved by clapping a lid on them. We have a right to expect that problems that call for democratic discussion will continue to get it, just as we have a right to expect that problems that call for quick military action will get it.

Whether or not a fair method is devised to keep prices down to the level of the average income, there will be rises in the cost of living. Likewise, whether or not efforts are made to prepare for the post-war readjustment, there will be hardships and unemployment.

So a credit union has several important jobs to do.



One war-time job for credit unions is suggested by this chart. Unless stringent price control is developed by the government, credit union members face rapidly rising living costs. Emphasis on thrift and loans to help members save money is now, as always, a credit union's obligation.



A postal credit union is licensed to issue Defense Bonds. Albert Goldman, New York City Postmaster, presents the documents to the officers of the Empire Branch 36, National Association Letter Carriers Credit Union. Left to right: Moe Fiedelbaum, director; Philip McHugh, treasurer; Mr. Goldman; Emanuel Kushleowitz, president; Max Rosenson, secretary.

1. Making provident and productive loans. Anybody who still thinks loans are a luxury had better get the idea out of his head. Loans are a stern necessity in many cases, and in other cases they serve a good purpose by getting the member on a workable budgeting basis. When they help him buy for cash, they save him money. When they consolidate his debts, they get his income and expenses on a footing that make it possible for him to make both ends meet. Lending money at credit union rates to a member who needs it is a service to the member and the country; it helps the member save against the future, it acts as a check on inflation, and it supports morale.

2. Encouraging thrift. Saving for taxes, saving for the time when prices will be higher, saving for the time when employment will be shrinking, investment in Defense Bonds to support the cost of our war program—these are things members should be thinking about and credit unions should be encouraging. The credit union is the most convenient thrift agency available to its members; getting each member to put away a quarter a week would be a contribution to the stability of the membership and the country.

3. Standing behind members in the armed forces. Any credit union that hounds a man in military service for payment of a loan is unworthy of the traditions of the credit union movement. It has ceased to operate for the service of its members and taken to the worship of the Golden Calf. A credit union that has members in military service can make a definite contribution to service morale and national defense by forgetting about

their loans until the war is over and the members are re-employed.

4. Selling Defense Bonds. At present only about a thousand credit unions are licensed to sell Defense Bonds. All Federal and many State-chartered credit unions are eligible. The credit unions now selling Defense Bonds are doing a good job. It is up to the rest to get behind the wheel and push. In States where Banking Departments have not consented to the licensing of credit unions, steps should be taken to straighten things out.

5. Preparing for the future. Credit unionists may need to build reserves a bit to protect themselves against unexpected losses. There is no reason to expect that a credit union that does its job will be so squeezed by losses and delinquencies as to liquidate. But losses may be heavier than normal. For this reason, a little extra money in the undivided profits account is good insurance.

6. Acting like a part of the credit union movement. We still need new credit unions; the country would be on a sounder financial basis if we had a hundred thousand instead of ten thousand. Credit unionists should continue to organize new groups;

New Credit Unions In November

New credit unions organized in November totaled 105 for the United States. During the same month, 219 additional credit unions affiliated with their State Leagues and CUNA.

credit unions should continue to support their State Leagues and the National Association. Unity is essential for the protection of the movement.

Naturally, every credit union has its own problems. Every credit union is entitled to attack its own problems with its own ingenuity. But all have some problems in common, and all have the same stake in the preservation of democracy. Today, the fact that credit unions are a *movement* means something.

(Readers interested in the effects of war on credit union operations are referred to the article "Credit Cooperatives in Germany" in this issue and an article titled "Credit Unions in War" in the issue of September, 1941.)

Drenk Appointed

Charles R. Drenk has been appointed executive secretary of the California Credit Union League. This position corresponds to that of managing director in other states.



Mr. Drenk was born in Chicago, attended public school in Elkhart, Indiana, and served with the Marine flying corps in 1918. He graduated from the University of Illinois in 1924 and worked in a Chicago brokerage house until the depression.

In 1931 he moved to California, where he was the first treasurer of a credit union formed in the Axelson Manufacturing Company. He has served on the board of directors and executive committee of the California League, been a part-time League employee for one year and full-time for three.

New Field Men

Richard Archer has been appointed assistant to the managing director for the Minnesota Credit Union League. Mr. Archer was introduced to credit unions through the Soo Line Credit Union in Minneapolis. He has lately been treasurer of the League credit union in Minnesota.

Robert Steinke is now field man for the Pennsylvania Credit Union League. Mr. Steinke hails from Pittsburgh, has been an officer in the Pittsburgh Chapter and lately has been active in the Pittsburgh Volunteer Organizers Club.

The New York State Credit Union League announces that it will soon appoint another field man.

Writer Attacks

LICENSED MONEYLENDERS

The case against the small loan companies is stated by a former assistant to the Massachusetts attorney general

By RICHARD GILES

A MAN who borrows \$25 from a loan shark," says Maurice Goldman, "and is charged 100 per cent interest, will pay \$25 interest in a year. But if he goes to a licensed small loan company, he will not get his \$25 loan at all. He will be forced to take a loan of \$100 and pay 36 or 42 per cent interest—\$36 or \$42 a year. Actually he will pay more interest to the legal, respectable company. Not only that. The \$100 loan is harder to pay off than the \$25 loan. The borrower may pay off the smaller loan in a short time. He will be stuck with the larger loan for months—and pay more interest before he is finished with it.

"This sort of competition naturally harms the sharks, but it doesn't finish them off. A licensed small loan company merely takes legally what the loan shark takes illegally. Its small loan license confers on it an official stamp of respectability."

Mr. Goldman says these things in a book he has just written, called *You Pay and You Pay*. It is published by Howell, Soskin, New York; it is 322 pages long; it sells for \$2.50; and it is full of dynamite.

You Pay and You Pay is the only book THE BRIDGE has found that exposes the high-rate lenders for what they are, ripping off the lush growth of Santa Claus whiskers that has been so carefully cultivated. *You Pay and You Pay* should be read not only by every credit union member but by every American who has learned to read.

The author is a lawyer, formerly assistant to the Massachusetts attorney general. He writes his book out of a fund of indignation accumulated during a campaign against loan sharks in Massachusetts. He confesses that he entered this campaign with the friendliest feelings toward the licensed lenders; but when it became known that a campaign against loan sharks was being fought, a flood of complaints poured in—and many of them were



Another Brandeis, one of the Boston papers called Maurice Goldman. The enthusiasm is pardonable, because Mr. Goldman was assistant to the Massachusetts attorney general in a vigorous campaign against loan sharks; because he so incurred the enmity of the "respectable racketeers" that they persuaded the Bar Association to investigate him; because the only sin they could uncover was that he was too generous with his money; and because he has written a book about the "respectable rackets," which we review here.

against legal companies. Goldman's eyes were opened, and this book is one result.

It is not a book about loan companies. It is about "respectable rackets," including automobile financing, borax furniture houses and other legitimized sucker games. But it is in the sections on personal finance companies that Mr. Goldman lets his hair down: clearly this subject is a passion with him.

One by one he takes up the arguments that have been used in support of legalized high-rate lenders, and one by one he knocks them briskly over the head.

Take the ancient and respected plea that a small loan company has to

charge 36 per cent or go out of business.

Bunk, says Mr. Goldman.

In the first place, small loan companies do not have high overhead. A small loan company can be run with a manager, a stenographer and a collector. The collector is paid \$100 to \$125 a month. There is no equipment necessary. The cost of investigating a loan applicant is about ten cents—for two phone calls.

The capital that small loan companies lend for 42 per cent they get cheap— $\frac{3}{4}$ to $1\frac{1}{2}$ per cent a year.

And they don't do a small loan business. You can't get a \$25 loan from a small loan company, says Goldman. They use every possible method to force the borrower up to \$100; their loans average about \$150; they do their best to get borrowers in for more than \$300, where the small loan laws no longer apply.

This puts them in the same class as banks with personal loan departments. The National City Bank, the Morris Plan Banks and the Modern Industrial Bank charge interest on personal loans of this type ranging from 12 to 20 per cent, and they get fat on it. Not to mention credit unions, which as Mr. Goldman points out, do a genuine small loan business at 12 per cent.

LOSSES by small loan companies are negligible. Illegal lenders write off only about 1 per cent of gross, while the legal lenders' losses run between $\frac{1}{4}$ and $\frac{1}{2}$ of 1 per cent.

On the contrary, says Mr. Goldman, the small loan companies are making fabulous profits at their present rates. Of Household Finance, which is charging only 30 per cent per annum, he says, "In one year, Byrd E. Henderson, President of Household Finance Corporation, drew \$79,118 as salary. The combined salaries of seven executive officers totaled \$344,867. All this was over and above dividends from stock held in the firm."

The lenders have had plenty of money to spend for advertising. They spend over half a million annually for advertising in Massachusetts and

almost a million in New York. They maintain lobbies in the State capitals, to keep unfriendly hands from lowering the legal rate of interest and to block legislation favorable to the credit union movement.

Or take the pious argument that the legal lenders are driving the loan sharks out of business. Bunk, says Maurice Goldman again. In the State of Massachusetts, which has the oldest small loans law in the country, the licensed lenders have been doing business for a long time, but loan sharks are still thriving.

What about the business methods of the small loan companies? Are they clean? Mr. Goldman tells this story.

"Walter X—came to see me when I was engaged in the prosecution of a group of Massachusetts small loan companies. Like many other victims, he had heard that the loan sharks were on the run, and although the company that had him in its grip was licensed, and technically not shark-like, he felt that something ought to be done about his case. First he asked me to lend him \$2.85. When he told me why he needed the money, I gladly gave it to him.

"He had borrowed from a licensed small loan company, as their advertisements had invited him to do. A month or two later he lost his job and found difficulty in meeting the weekly payments. But the collector the company sent to see him was a resourceful gentleman, with a well-earned reputation for never letting the company's borrowers miss an interest payment. He at once suggested a solution.

"Why don't you pawn your radio?"

"THE idea didn't appeal to Walter but the man insisted that he had to have the money, and finally Walter consented. The collector went with him to the pawnshop, collected \$1.50, and departed.

"Two weeks passed. Walter was again short, and there was another payment due. The collector cast his eye around Walter's home, and found another object to pawn. Later, Walter's little home began to seem a trifle bare, as almost everything of the slightest value found its way to the waiting pawnbroker. But Walter was becoming accustomed to the idea of getting on with very little, and he didn't complain much.

"Finally there came the day when every article or trinket that could possibly be pawned had been removed, and there were still payments to be made. Walter was still unemployed. The collector looked around, and scratched his head.

"Walter thought he had finally

thrown the collector for a loss. He smiled, and said happily, 'Well, there ain't nothin' else you can take.'

"That smile was a mistake, for it gave the collector an idea. 'Your teeth!' he exclaimed suddenly. 'You can pawn them!'

"No, sir,' returned Walter sturdily, 'I can't do without 'em. I even need 'em to talk with.'

"Never mind that. They're removable, aren't they, both uppers and lowers?"

"Walter admitted that they were removable, and then he was lost. He soon found himself back at the pawnbroker's.

"Take 'em out,' ordered the collector.

"WALTER took his teeth out; the collector demanded, 'Can we get one fifty on them?'

"Sure."

"Then hand over the money and make out a ticket. But wait a minute—' Here the collector caught himself. And here he displayed a nobly generous nature. 'Got any other money?'

"Not a cent,' said Walter.

"The collector faced the pawnbroker again. 'Make that ticket out for two-fifty,' he ordered. 'The teeth are worth it.' And he explained to Walter, 'With that extra buck you can buy yourself some food, maybe some meat, even, and have a good meal.'

"It was a worthy thought, and Walter tried to put it into execution, but he found that without his teeth it was impossible to eat any food. It was then that somebody gave him the idea of going to me for assistance.

"I let him have the money, but as for getting him out of the clutches of the small loan company, that was out of the question. The company was entitled by law to its 36 per cent interest. And although the collector might have been a trifle overzealous in his anxiety to keep his record clean, he, too, was within the law. There was nothing I could do for Walter but promise not to hound him for the \$2.85."

All collector, says Mr. Goldman, are under pressure to keep their collections up to par or be fired. Not all collectors go to such lengths as this one did, but it is absurd to pretend that they can afford to be benevolent. "The collector may receive a written memorandum to the effect that 'Every effort should be made to induce Borrower X to continue his payments, but any suggestion of threats should be avoided. It might be well to discuss X's financial situation with him, and arrange a plan, etc.' Privately he will be told, 'You get the interest from

that guy, or you're out of a job.'"

This by no means closes Mr. Goldman's case against the small loan companies. He points out that they like to get clients who are on relief, making sure that their collectors are on the spot when the relief check is cashed. He pictures at length the methods they have used to obtain the cooperation of innocent organizations like the Russell Sage Foundation.

What is the answer? There is no doubt in his mind that the only safe way to borrow money is from a credit union. "The borrower's first line of defense against loan sharks and against licensed small loan companies is the Credit Union," he says.

Unfortunately he is not so well acquainted with the credit union movement as he is with the private lenders. He is under the impression that the chief promotional agency for credit unions is the Federal Government, through the Agricultural Adjustment Administration, and comments that this does not succeed in reaching the vast numbers of city dwellers.

THE BRIDGE has called this inaccuracy to Mr. Goldman's attention, and he has replied, "Of course, this matter will be corrected in future editions and I thank you very much for directing my attention to it. I also intend to incorporate the information about CUNA and its activities in such future editions."

PARTLY due to this misunderstanding, he believes that credit unions are not spreading fast enough to take care of the need. Consequently he suggests the formation of a government agency, connected with the Social Security Administration, to make small loans at low rates.

This suggestion is at least stimulating. Whether it will ever be taken seriously depends in part on how good a job the credit union movement does in the next few years toward meeting the people's credit needs. No one in the credit union movement doubts that credit unions will be the real answer when there are enough of them; no one doubts that it is better for a man to own and run his own credit agency than to have the government run one for him. On the other hand, no one can overlook the challenge that Mr. Goldman throws down in this book.

Meanwhile, Maurice Goldman has made a great contribution. *You Pay and You Pay* is the only book available that draws the picture as it is. CUNA supply has this book in stock and will accept orders. Write to CUNA Supply Cooperative, Raiffeisen House, Madison, Wisconsin, enclosing your check for \$2.50 a copy.

You're a Director Now

By Dora Maxwell

YOUR credit union has had its annual meeting now, and the members voted their confidence in your ability to manage their affairs until next year by electing you to the board of directors. How are you going to react to this honor? Are you going to be one of those people who take this responsibility casually, or are you really going to put your knowledge and ability to work?

It is always a good idea to get back to basic things and try to figure out what it's all about. Why are you a director? Why all this work? For that matter, why the credit union, why your State League, why CUNA? There are too many organizations anyway. Maybe ours are superfluous also, just making jobs for a lot of people. Let's repeat our purposes—only this time really examine them carefully.

First, the credit union promotes thrift. Is there a need for thrift promotion in a country where one-third of the population earn \$750 or less and another third earn between \$750 and \$1450? All right, payrolls are up for some people. Isn't there still a need for thrift so that we won't go on a wild spending spree as we did in the last war? Doesn't Uncle Sam need our savings to pay for defense? Don't we all have to save to meet those bigger and better income taxes? Aren't we being told to stop spending and start saving to avoid inflation? More than ever, we need to emphasize thrift and our credit union as the instrumentality.

Second, the credit union makes loans for provident purposes. Is there a need for these in a country that had outstanding loans in 1940 of over two and one-half billion dollars at legal interest rates running as high as 42 per cent and an illegal business estimated at three-quarters of a billion dollars at rates beginning at 42 per cent and running up to 1,000 per cent? Do we need loans in a country that has six billions outstanding in installment purchases, most of it at a carrying charge higher, often much much higher, than our credit unions charge? Don't we promote thrift frequently through our lending service? Isn't it thrifty to borrow and pay for cash? The lending service is vital.

Third, the credit unions help to eliminate usury. Through your credit union you save your members from the loan shark. Through your State League and National Association you bring the credit union to other people who suffer from usury. Are you satisfied that your credit union is eliminating all the usury affecting its members? It isn't if a single person goes to a high rate loan agency, nor if any members are buying on the instalment plan. Are you satisfied that your State League and CUNA have organized enough credit unions with only ten thousand units when we should have perhaps a hundred thousand? There's a crying need for the extermination of the loan shark.

These are the purposes of the credit union movement and the reasons why you are a director, why you were elected, what you have to do to produce and why it is everlastingly worthwhile. Now for the details.

Various people whose job it is to contact credit unions, report that directors' meetings are held irregularly and business is handled hurriedly and in a perfunctory manner. Your board is required to meet once a month and if your credit union is doing even a half-way job, there will be ample business accumulated to warrant holding a meeting and call for your best effort. It is the job of the president to

act as chairman at each board meeting and prepare the agenda. If your by-laws do not provide an order of business to follow, then the one below may be of help:

1. Roll Call
2. Reading of the call for the meeting if it is a special meeting
3. Reading and approval of the minutes
4. Report of the supervisory committee
5. Report of the credit committee
6. Report of the education committee
7. Report of other committees
8. Report of the treasurer
9. Unfinished business
10. Applications for membership
11. Communications and requests
12. Bills payable.
13. Other new business
14. Adjournment

The chairman does not do much talking himself, but he sees to it that others have their chance to be heard; that discussion is kept to the business in hand; that business is taken care of in an orderly fashion; that nothing is overlooked, including the date for the next meeting; and that meetings are adjourned promptly when everything is disposed of.

The treasurer is general manager of the credit union. If he is good, he will



The Atlanta (Ga.) Volunteer Organizers Club meets. Left to right around the table are Hubert M. Rhodes, CUNA field man who conducted the course; Mrs. J. R. DeLay, E. W. Etheridge, Moses C. Davis, Walter L. Kelly, Mrs. Gladys Upshaw, G. F. Hoffman, J. C. Phillips, S. S. Griffin, Mrs. Inez Spier, James R. DeLay.

refuse to allow this to mean that he is running a one-man organization but will do his job, insisting all the time that others, duly elected, do theirs. He is an administrative official, and the directors are the policy-forming body. Subject to the direction of the board, he carries out or administers these policies after the directors have formulated them. Nevertheless, he should handle matters of detail for the board. He should have a folder, and day by day, as matters come to his attention which should be presented to the board, he should insert appropriate notes and documents. When the board meets, it will have something to do—and plenty of it.

Your credit union needs a budget for guidance from month to month. You will find a sample form in the December BRIDGE and can get work sheets (without charge) by applying to CUNA Education Service, Madison, Wisconsin. There are several things to watch for here. The treasurer's salary should be adequate; see that all bond coverage is sufficient and that you are taking advantage of CUNA's free excess coverage of \$50,000; provide for borrowers protection and life savings insurance; set up a fund for acquainting your members with your services and the background of the movement by posters and advertising material; insure your right to continue in existence by providing for dues to your State League. Your expenses can safely run as high as 40 per cent or 45 per cent of your anticipated income.

Maintain your interest rate at 1 per cent per month. This is no time to reduce interest. No one knows yet the total cost of running this movement, and until we do, let's not take any chances. It's a lot easier to cut the rate than it is to boost it up again, as a lot of sad people who tried the latter will tell you. Remember, we turn back to our members all earnings in the form of reserves, dividends on shares, rebates on interest paid on loans and services like loan and share insurance. Here is one place to look carefully before you leap too friskily. The way back is painful.

IS delinquency on loans a problem in your credit union? If so, this needs to be watched carefully and there should be a committee appointed for that special function. A firm but friendly policy is necessary, and delinquency can be kept down by patient and persistent effort. The board should receive a report each month showing the percentage of delinquencies. Routines for collection should be developed. CUNA Supply Cooperative, Madison, Wisconsin, will send you sample letters, and the FCA Credit

Union Section, Washington, D. C., will on request send you its fine booklet, "Effective Collection Procedure." Remember your first obligation is to your shareholders, to see that their money is on hand when they want it out. Your second duty is to the borrower, to help him to keep current and eventually to get out of debt.

Each year you are required by law to set aside a certain portion of your net earnings into a guaranty fund. This is your insurance fund against bad loans and in the past has proven more than adequate. There is a feeling now that we need to conserve our resources against the shock to come when the present emergency is over. Perhaps, therefore, you need additional reserves in the form of undivided profits. As a suggestion, consider relating reserves to possible losses from bad loans. Reserves for bad debts are required in New York in proportion to delinquency, as follows:

Loans	6-12 months	delinquent— 10 per cent of unpaid balance
	12-18 months	delinquent— 50 per cent of unpaid balance
	18 months or over	delinquent—100 per cent of unpaid balance

If you do set aside some earnings in addition to the requirements of your law, be sure it is set aside in *undivided profits*, thus leaving it free for use as and when required. Do not add it to the statutory reserve or guaranty fund, as then it can only be used for purposes outlined by law for such funds. There is an important distinction here.

Did your credit union just pay a dividend of over 4 per cent? If so, you did something which is contrary to the considered judgment of over one hundred National Directors from every part of the United States and Canada. You may be right and they may be wrong, but look into the matter carefully before you decide about another year.

Let's be specific about how you can emphasize and encourage thrift. First, take the limit off savings even if this means lower dividends. Accept all the money your members can and want to save regularly and then find ways of putting this money to work usefully. If you feel a need for a limit, then put a top on the moneys that might be withdrawn from other places and dumped into the credit union, but permit regular savings under any circumstances.

Now dollars, too, can enlist in the struggle for democracy. If your credit union has not already done so, it should qualify for the sale to its members of United States Defense Savings Bonds and Stamps. Also, credit union funds not working in loans to members can be so invested. These are

government bonds and permissible for all credit unions everywhere.

Have you seen the new schedule of income taxes to be paid to Uncle Sam? Thousands of people are going this year to start paying income taxes for the first time—single people with incomes of \$750 and married persons with \$1500. Help them to be ready by setting up Income Tax Savings Clubs. They can estimate what their tax is to be and start saving regularly toward this end. The Treasury Department, Washington, D. C., will send you on request as many copies as you may need of a pamphlet called "Know Your Taxes" to help the members estimate what payments will be due.

ALONG this same line, many credit unions have Christmas Clubs, Vacation Clubs, etc. Why not inaugurate this year at least one new saving service?

The most serious problem we face in the credit union movement is the

tendency of credit committees to become more and more conservative in their lending policy. Discussing Regulation W, Thomas W. Doig recently pointed out that, "Insofar as regulations of this kind are concerned it is often true that credit union officers prove to be the credit unions' worst enemy. There is a serious inclination on the part of credit union officers to interpret the regulation much more rigidly than is necessary and to write into it intents and purposes not actually contained in the regulation. I sincerely hope that credit union officers will overcome their fear of this regulation and adopt a more aggressive spirit and more ingenuity in developing ways and means to make the credit union an effective instrument for good among credit union members."

Recently a credit union boasted that it had made a million dollars of loans without losing a cent. Is this as fine as it sounds? Isn't it just possible that this means the credit committee wouldn't take any chances? The credit manager in the place where you work wouldn't last on his job with such a record because the big boss would know he was losing lots of sound business on such a conservative policy. A credit committee worth its salt should be willing to take some risks. Look over your rules and remove the restrictions. Incidentally, the directors lay down the broad lending policy, and the job of the credit committee is to decide on each loan within the framework of the general line. Note, the

directors lay down the *broad* lending policy. They do not attempt to say what security shall be required for a given size loan. That's the credit committee's function. If you have "too much money" it may indicate that opportunities to serve the members are being overlooked. By and large, few credit unions can generate enough savings to take care of the *complete* credit needs of their members. Idle money is a danger signal. Liberalize your activity—look around for opportunities to serve. There are billions outstanding in this field, waiting to be taken over on our more equitable terms.

Our specific suggestion is to encourage people to own their homes. Some credit unions have qualified for FHA insurance contracts, which is a way of getting Uncle Sam's endorsement on these notes. Is there a more provident purpose or better collateral? Care should be exercised to see that the total of such mortgage loans is kept within a percentage of the whole outstanding balance (20 per cent to 25 per cent) and that all are amortized on some periodic basis for which the credit union mechanics is ideally geared. William V. Reed of Defense Housing Co-ordination, speaking at a meeting of the United States Savings and Loan League on December 1, said, according to the *New York Times*, "that the average house costs \$1,400 for materials and \$3,300 for labor and that the buyer usually pays about \$10,000 for it because of financing charges." Does that statement by a responsible government official register with you? Financing is our business and we can do better than that—an understatement, if there ever was one. Is there enough idle money in your credit union even to begin to take care of this need of the members?

What were credit union publications writing about before Regulation W? We are all tired of it by now, but at least we know the *why* of the regulation even if we aren't always clear as to *how*. The point here is that if regulation W forces us to do business along the same lines as other lending agencies, then we must be surer than ever as to how we are different.

Do you know that the credit union rate of 12 per cent is as low as any other agency (with individual exceptions across the country that you could count on the fingers of your hand)? Your members don't know this and are always comparing the credit union rate, honestly stated as 12 per cent, with other rates dishonestly stated.

And what happens to the profits in other agencies? They stay with the owners while we pay them back to our members in dividends and rebates,

reserves and services. Beyond this, through the credit union we have the chance to use our own money to serve our own needs under our management and control. Where is there any competition along these lines?

No article today is complete without mentioning the emergency. There are

two fronts and both are equally important if we are to win the war. As a credit union director, you are in service on the home front demonstrating that democracy can and does work. Our specific task is the democratization of finance—a big order but not too big for you.

Cost-Study Man



DU PONT, ice-skating, credit unions, Boy Scouts, taxation and flower gardens are among the interests of Charles W. McKeever, first New Jersey credit unionist to be elected to the Executive Committee of the Credit Union National Association.

McKeever became interested in credit unions in 1935. He was representing the Du Pont management in consultation with a group of employees who wished to form a credit union. The members of the resulting organization called the Deepwater Industries Federal Credit Union, elected McKeever to the board of directors, on which he has served ever since.

He has been a New Jersey State League director since 1937, president of the South Jersey Chapter, Cuna National Director since 1938. He has written several instruction bulletins for the educational committee of the State league for distribution to credit unions and contributed a number of articles to the *New Jersey Credit Union News*.

McKeever started working for Du Pont in 1915 in a plant which was then

an explosives factory and has since become a dye works. He was the first clerical employee in the plant. In 1918 he was transferred to Du Pont's Jackson Laboratory, a new dye research organization; he was cashier and assistant office manager, and within a year he was promoted to the position of office manager.

He began to grapple with problems of personnel reorganization, cost finding for new products under development, and supervision of operations other than mechanical or chemical. Frequently he was assigned to make cost studies in other Du Pont units, and he spent ten months in 1931 and 1932 reorganizing a dye works which had just been acquired.

In 1933 he began to handle contacts with public affairs bodies, and he made a study of local taxation with recommendations which attracted State-wide attention and were adopted by the New Jersey Taxpayers Association.

Recently he has acted as chairman of a committee to make cost studies of the operations of CUNA Supply Cooperative. At the Executive Committee meeting in September, he and Frank C. Dean, with whom he worked on this study, were able to report, "It is the opinion of this committee that considerable progress has been made during the course of the year in the improvement of the operating conditions of CUNA Supply Cooperative."

He takes an active interest in civic affairs; he is a Mason and treasurer of the local Boy Scout council. His hobbies, he says, are mechanics and flower gardening; he enjoys canoeing, swimming and ice skating. He is not, he adds, old enough for golf.

Probe Loan Sharks

A five-man commission to investigate loan sharks and usurious practices of small loan companies has been appointed by Governor Broughton of North Carolina. The commission will recommend legislative remedies to the next session of the General Assembly.



Central Credit Unions

*(This is the first of two articles on
central and officers' credit
unions.)*

THE growth of credit unions making loans exclusively to officers and other credit unions suggests that the credit union movement is finding a way to give mobility to its funds.

There are already three giant credit unions in this field: the League Credit Union of Minnesota, with assets of \$442,359; the Illinois League's ICUL Credit Union, with assets of \$372,877; the Central Credit Union of California, with assets of \$357,925. Since the Minnesota organization was formed in 1933 and the other two in 1936, these are relatively young and still have many years of expansion ahead.

But of course mere size is not an indication of usefulness. There are numerous central and officers' credit unions organized to serve chapter areas; with a limited field of membership, these groups will never reach the proportions possible for a credit union serving an entire League membership; yet their functions and value will be identical.

THE BRIDGE has circulated a questionnaire among all central and officers' credit unions known to the files of the National Association (you will find them spotted on the map which accompanies this article); replies were received from forty-five of the fifty-two. The picture which emerges as the answers are tabulated is one of gratifying growth.

Central credit unions have special

problems of operation, arising in part from the fact that members are scattered geographically. These operating problems will be dealt with in a later article. The purpose of the present study is to set the stage statistically.

study is to set the stage statistically. Forty-four of these credit unions gave information about their field and membership. Thirty serve entire States; fourteen limit their activities to chapter areas, often serving several

CONSOLIDATED BALANCE SHEET

38 central and officers' credit unions

Loans to officers.....	\$1,452,326.50
Loans to credit unions	291,451.25
Real estate loans.....	158,436.17
Cash	91,352.54
Furniture, fixtures	8,134.91
Other assets	14,077.79
	<hr/>
	\$2,015,779.16
Accounts payable	\$ 5,033.82
Notes payable	170,659.00
Shares	1,735,861.00
Reserve	33,213.45
Undivided earnings	71,011.89
	<hr/>
	\$2,015,779.16

chapters. Twenty-one make loans to officers only; twenty-three lend to officers and credit unions. There are none at present that lend only to credit unions.

A consolidated balance sheet can be constructed from the financial reports furnished by thirty-eight of these groups. Since nineteen of the statements furnished were dated August 31, 1941, sixteen September 30, and three October 31, the consolidated statement is only an approximation, but it has its value.

The total assets of forty-one reporting were \$2,503,979; their membership was 13,874 individuals and credit unions. They have made a total of \$6,505,854 in loans since organization, and charged off \$6,332, a fraction of which has since been recovered. Their loss ratio has run about one-tenth of one per cent.

They range in membership from 48 to 1,878; their assets vary between \$994 and \$442,359. Listing them in order of assets:

Assets	Members Organized	
\$ 994	119	1937
1,650	79	1939
1,722	82	1940
2,662	68	1940
3,117	48	1939
3,337	132	1937
3,805	106	1940
4,936	148	1937
5,249	265	1938
6,138	128	1938
7,745	172	1937
8,179	94	1940
10,000	90	1939
10,718	187	1936
11,233	129	1937
11,750	128	1936
16,919	273	1936
18,903	241	1937

Year	Number reporting	Assets	Members	Loans outstanding
1936	12	\$ 132,334	1,341	\$ 117,932
1937	28	321,760	3,039	279,132
1938	33	658,411	4,916	597,417
1939	38	1,211,327	7,732	1,122,384
1940	42	1,921,538	9,788	1,667,627

19,873	165	1939	IN 1936
20,659	150	1936	1 paid 4 per cent
21,981	119	1937	1 paid 4.5 per cent
23,875	247	1939	4 paid 5 per cent
25,285	310	1937	2 paid 6 per cent
28,704	116	1937	
29,994	474	1937	1937
30,225	258	1938	1 paid 2 per cent
30,318	211	1936	1 paid 2.4 per cent
31,349	252	1936	1 paid 3 per cent
31,760	292	1937	1 paid 3.5 per cent
32,753	352	1936	1 paid 4 per cent
33,550	351	1936	1 paid 4.5 per cent
38,152	310	1937	9 paid 5 per cent
74,752	570	1937	2 paid 6 per cent
81,360	396	1937	
85,734	490	1937	1938
100,000	675	1937	1 paid 2 per cent
102,523	507	1932	1 paid 3 per cent
178,409	719	1937	6 paid 4 per cent
357,925	1,472	1936	1 paid 4.5 per cent
372,877	1,878	1936	13 paid 5 per cent
442,359	985	1933	3 paid 6 per cent
			1939
			1 paid 3 per cent
			1 paid 3.5 per cent
			7 paid 4 per cent
			3 paid 4.5 per cent
			15 paid 5 per cent
			1 paid 5.5 per cent
			2 paid 6 per cent
			1940
			2 paid 2.5 per cent
			1 paid 3.5 per cent
			11 paid 4 per cent
			2 paid 4.5 per cent
			1 paid 4.8 per cent

How these groups have grown and how rapidly new ones have been organized are indicated by reports for the last five years (top of page).

Thirty-six have reported their dividends during these five years. In 1936, for nine credit unions, dividends totaled \$5,388; in 1937, for 17 credit unions, the figure was \$11,544; in 1938, for 25 credit unions, \$26,526; in 1939, for 30 credit unions, \$49,080; in 1940, for 36 credit unions, \$79,180.

Thirty-seven reported their dividend rates as a percentage of shares.



Officers of the Western New York Federal Credit Union meet around the treasurer's dining-room table. Left to right: E. J. Hartnett, treasurer; Herman C. Haeusser; Fred W. Rossdeutscher, president; Stuart B. Wilkes and Samuel W. Raych.

16 paid 5 per cent
1 paid 5.5 per cent
3 paid 6 per cent

There seems to have been no marked trend in dividend rates. Generally the low rates listed were payments by credit unions which had not yet been operating a full year. Some credit unions' rates have fallen slightly; others have risen. But generally, rates have been notably stable.

A more detailed tabulation will give a picture of assets and membership from 1936 to 1940.

Two conditions produce the growth noted. One is the fact that in most States and under the Federal law officers are not permitted to borrow from their own credit unions. The other is the fact that many credit unions face one of two problems: too much money or too little. One central credit union, recently organized, reports that it has already saved a credit union officer from the grips of a loan shark. How great a service may be rendered to a young credit union with small funds and many loan applicants can readily be guessed.

For cooperation in the preparation of this article, THE BRIDGE is indebted to officers of the following:

League Credit Union (Minnesota)
Cincinnati Chapter Credit Union
ICUL Credit Union (Illinois)
Greater New York Federal Credit Union
Oklahoma State League Credit Union
Central Credit Union of Michigan
Colorado Central Federal Credit Union
Alabama Central Credit Union
Philadelphia Chapter Federal Credit Union
Washington Central Credit Union
Rhode Island League Credit Union
Nodak League Federal Credit Union (North Dakota)
Pittsburgh Chapter Federal Credit Union
Western New York Federal Credit Union
Utah Central Credit Union
Georgia League Credit Union
Oil Valley Officers Federal Credit Union (Pennsylvania)
Kansas Federal Credit Union
Duval County Central Credit Union (Florida)
Massachusetts Officers Federal Credit Union
Central Federal Credit Union (Indiana)
Mississippi Valley Chapter Credit Union (Iowa)
League Central Credit Union (North Carolina)
Florida Central Credit Union
Nebraska League Federal Credit Union
First Credit Union of Iowa
Oregon Central Credit Union
Maine Officers Federal Credit Union
North Texas District Federal Credit Union
Washington Central Federal Credit Union (District of Columbia)
Kentucky League Credit Union

TWELVE CENTRAL AND OFFICERS' CREDIT UNIONS IN 1936

	Under \$100	\$100-\$999	\$1,000-\$10,000	Above \$10,000
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Assets	2	2	3	5
Under 50	50-99	100-199	200-301	

Members	5	2	2	3
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TWENTY-EIGHT CENTRAL AND OFFICERS' CREDIT UNIONS IN 1937

	Under \$100	\$1,000-\$999	\$10,000-\$50,000	Above \$50,000
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Assets	1	7	13	5
Under 50	50-99	100-199	200-299	300-450

Members	8	11	4	1
(One not reporting)				

THIRTY-THREE CENTRAL AND OFFICERS' CREDIT UNIONS IN 1938

	Under \$100	\$1,000-\$999	\$10,000-\$49,999	\$50,000-\$100,000	Above \$100,000
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Assets	1	6	16	6	2
Under 50	50-99	100-199	200-299	300-499	500-750

Members	8	12	6	2	1
(One not reporting)					

THIRTY-EIGHT CENTRAL AND OFFICERS' CREDIT UNIONS IN 1939

	\$100-\$999	\$1,000-\$999	\$10,000-\$49,999	\$50,000-\$100,000	Above \$200,000
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Assets	6	15	11	2	2
Under 50	50-99	100-199	200-299	300-499	500-750

Members	3	14	9	4	3
(One not reporting)					

FORTY-TWO CENTRAL AND OFFICERS' CREDIT UNIONS IN 1940

	Under \$1,000	\$1,000-\$9,999	\$10,000-\$99,999	\$50,000-\$199,999	\$100,000-\$300,000	Above \$300,000
--	---------------	-----------------	-------------------	--------------------	---------------------	-----------------

Assets	2	16	15	4	2	1
Under 50	50-99	100-199	200-299	300-499	500-749	750-1,000

Members	3	6	14	8	6	0
(One not reporting)						

Connecticut League Federal Credit Union

Mahoning Valley Chapter Credit Union (Ohio)

Hawaii Central Federal Credit Union

Maryland Central Federal Credit Union

Virginia League Central Credit Union

New Jersey Officers Federal Credit Union

Louisiana Central Federal Credit Union

Cleveland Chapter Credit Union

Central Credit Union of California

Toledo Federal Credit Union

Southern Illinois Chapter Credit Union

Missouri State Credit Union

St. Louis Mutual Credit Union

Arkansas Central Credit Union

Literature Ready

On Church Credit Unions, Taxes and Defense Bonds

A PAMPHLET entitled "Know Your Taxes," published by the Treasury Department, is available for distribution to all credit union members. Five tables are given to assist in the calculation of the next Federal income tax for single and married persons. Additional tables present savings schedules to meet taxes.

Defense Bond sales by credit unions are the subject of a two-page spread in the *News Letter* of the Defense Savings Staff for December 13. An article in the December BRIDGE provided some of the figures quoted.

"The Church and Credit Unions" is the title of an article by Benson Y. Landis of the Federal Council of Churches, now available in reprint

form. In addition to the usual historical material and description of operating methods, the article contains fourteen case studies of Protestant credit unions. The Federal Council of Churches is, of course, all out for consumer cooperation, and there is a tendency in Mr. Landis' article to stress the credit union as a step toward other forms of co-op.

Single copies, free. For quantity prices, write to CUNA Educational Services, Madison, Wisconsin.

Dividends Declared

CUNA Mutual Insurance Society, at its quarterly meeting in December, voted the distribution of \$95,000 in dividends. The rate on AA policies is 12 per cent, on AAWD policies 20 per cent and on life savings contracts 8 per cent.

Credit cooperatives in GERMANY

Their ideal was pure self-help and self-government of the movement, free of any governmental supervision

By RUDOLPH F. STAHL

IT IS not possible within the scope of a short article to cover all the important features of the more than ninety years of history of credit cooperatives (*Kredit Genossenschaften*) in Germany. Instead of doing this, the author will confine himself to some basic trends and features which have a special bearing upon the development of the credit union movement in this country and particularly upon problems as they confront it during the present emergency. Finally, a short summary of the credit cooperatives' status in Germany as of today will be given.

I. Early History

The early stages of the movement in Germany are familiar, so that only a few basic points need be mentioned. One has to keep in mind that the early features laid the foundation of the movement, but the set-up has greatly changed during the ensuing nine decades of its existence.

As is generally known, Schulze-Delitzsch and Raiffeisen are equally responsible for the origin and the development of the cooperative idea in Germany. Both, though different in character and point of view, made their contributions. The differences between them are well summarized in Myron T. Herrick's book on "Rural Credit": "Schulze-Delitzsch believed in a large mixed membership drawn from an unrestricted area; Raiffeisen in a small membership of one class, confined to an area not containing more than 2,000 inhabitants. Schulze-Delitzsch believed in fair salaries and compensation; Raiffeisen in gratuitous service. Schulze-Delitzsch believed that a society should declare as large dividends as

possible; Raiffeisen, that it should make no distribution of profits. Schulze-Delitzsch believed that a society should do general banking business on three months' paper, and he abandoned the idea that the use of the money should be watched; Raiffeisen favored only the simplest kind of transactions and long-time loans, running for years if necessary and amortizable or repayable by installments, and he permitted loans to be made for productive purposes only."

Another important difference between the two pioneers is found in their views as to the liability of members for the debts of the cooperative. The Schulze-Delitzsch society became, after several decades of experience, what might be called a limited liability company. Its members are liable to the extent of their share holdings. In some cases their liability amounts to two or more times the share holdings. In the Raiffeisen cooperatives, on the other hand, unlimited liability still prevails; each member is fully liable for the debts of the society regardless of the number of shares held.

THE personal liability of the members made it possible for the cooperatives to borrow money from outside sources in order to make loans; for the share capital alone was not large enough to satisfy the demand for loans. Money was borrowed in either of two ways: by accepting deposits and current accounts of members and non-members or by borrowing from banks or other institutions. Whereas in the beginning the Schulze-Delitzsch societies avoided borrowing from banks in order not to lose their independence, the Raiffeisen societies borrowed heavily from institutions, such as the central cooperative banks. The borrowings of both types in both Schulze-Delitzsch and Raiffeisen societies were a large proportion of the total balance sheet sum (75 per cent or even more). By reason of this fact, the whole capital structure of the German type of credit cooperatives

differs fundamentally from the American.

Another significant feature of the early history of German credit cooperatives lies in the fact that their development was closely connected with that of cooperatives in general. In many cases rural credit cooperatives also carried on cooperative buying or selling for their members. All kinds of cooperatives, whether credit or any other kind, operated under the same law and were associated in several large provincial and national federations.

The development of the cooperatives was affected by both political and social-economic factors in German history of the second half of the past century. They originated during years of internal political strife, the emancipation of the nation from the dynasty and the beginning of national democracy. This is best illustrated by Schulze-Delitzsch. He was a member of the first National Assembly in 1848, and as a progressive in politics he opposed the government's attempt to establish a military dynasty. During the course of this fight he was indicted for treason. But upon his acquittal he became something of a popular hero.

The other determining factor of the time was industrialization, and with it the displacement of large numbers of craftsmen by machines. How this factor influenced the Schulze-Delitzsch credit cooperatives, is shown by the fact that in 1870 a good 38.5 percent of all their members were artisans, whereas in 1913 this percentage had dropped to 19.1. These cooperatives had at first intended to help artisans and craftsmen to build up new establishments, but instead were forced to face the problem of a steady decline in this part of their membership. The task thus changed from building up new to supporting old and still-existing artisans and their workshops.

Germany's transformation from an agricultural to an industrial economy urbanized the German population. In

Rudolph Stahl's article on credit union reserves in the August Bridge caused much favorable comment. He has first-hand experience of the German cooperative credit movement, having served as an officer in a credit union in Frankfurt am Main.

1875 only 14.5 per cent of the population lived in cities with more than 20,000 inhabitants and 61 per cent in villages (under 2,000 inhabitants). But the rural part of the population decreased with the result that in 1938 only 32 per cent lived in villages and 41 per cent lived in cities with more than 20,000 inhabitants.

With this background in mind one can well imagine how difficult a task it was for the new cooperative movement to make headway. The two systems which are usually and justly characterized as the urban (Schulze-Delitzsch) and the rural (Raiffeisen) credit cooperatives developed quite differently.

At first the Raiffeisen movement grew very slowly; at the time of Raiffeisen's death in 1888 only 425 societies of this type were in operation, whereas the Schulze-Delitzsch type had already developed 1,910 societies. Each had a membership of about half a million out of a population of about 45 million.

At that time the German movement was as old as American credit unions are today, so that an interesting comparison can be made.

	1888 in Germany	Today in U.S.A.
One credit cooperative served:	18,000 inhabitants	13,000 inhabitants
One member of a credit cooperative in every:	90 inhabitants	43 inhabitants

As time went on, the Raiffeisen cooperatives grew much faster than the urban ones and soon outnumbered them by far. It seems strange that during the time of urbanization the rural cooperatives made better progress than the urban. But this may have been due to the fact that the urban ones underwent a transformation into what became known as the "People's Banks." They did not grow in numbers so much as in members and capital, and in the process they lost a part of the original cooperative spirit.

II. Central Banks for Cooperatives

Even in his early cooperative activities Raiffeisen had seen the necessity of a clearing system for his credit cooperatives. It is obvious that the rural cooperatives' demand for credit is a seasonal one, dependent upon the times of sowing and reaping. Within the Raiffeisen cooperative federation, however, there were other cooperatives not directly dependent upon the agricultural situation and composed not of farmers but of another occupational membership. In order to make available the funds and surpluses of one cooperative to others in need and able to borrow money, a central clear-

ing house and central bank was set up.

A second motive for the establishment of central banks was to secure a source of credit for the ever-increasing demand in the field of agriculture during the last decade of the nineteenth century. The increasing competition of foreign countries made it necessary to intensify and to mechanize the cultivation of the soil. Only the great credit cooperatives were in a position to provide credit by borrowing money from commercial banks; the numerous small cooperatives had no access to the money market.

Hence the idea of pooling forces in true application of the cooperative principle grew out of the individual societies. Raiffeisen was one of the main promoters of the idea of central banks, and in time a few dozen were established within the federations of agricultural cooperatives. They were based on the principle of decentralization inasmuch as activity of each was confined to a provincial district; in this way they still operated according to the cooperative principle of combining for a common cause.

and-a-half to almost thirteen thousand).

This increase in numbers, however, took place only among rural credit cooperatives. The number of urban ones remained fairly constant. This was due to their entirely different method of operation. The people's bank or urban credit cooperative developed into a kind of commercial bank, which conducted its business almost like any other bank with most of its loans on a short term basis, secured by trade acceptances and notes. The device of lending by overdraft on current accounts has been widely adopted by them. Moreover, they constantly follow the liberal concept of Schulze-Delitzsch, declining every kind of state help for fear of losing their independence through the state participation in their business transactions.

Nevertheless, the urban societies at times needed an institution where they could borrow if need be. So they founded their own central banking institute, which, however, after operating for some time was merged with the Dresdner Bank, one of the big national banks. This institution established a special cooperative department in Berlin and Frankfurt am Main. Thus the connection with the general money market was established.

III. Supervision and Auditing

There is one feature in the German picture which is not very fully presented in the American literature on the subject: the relationship between the cooperatives and the state, especially as related to the manner in which the problems of supervision and auditing have been treated.

For many years cooperatives were considered private enterprises like commercial firms and banks. Up to 1933 they were free from state supervision. They had only to comply with certain provisions of the law prescribing their organization and operation. As long as they did so, they were subjected to no interference by the state. Credit cooperatives were entered in a register at the municipal court and had to file their by-laws there, as well as any changes of officers and some other minor details. That was all the law required of them.

Nevertheless, there were repeated attempts by certain politicians to bring the cooperatives under the direct supervision and control of the state. It required firm resistance on the part of the cooperatives and especially of their spokesman in the political and legislative field, Schulze-Delitzsch, to avoid this control. To be prepared for any further attacks,

the cooperatives installed their own supervisory organs; their ideal was pure self-help and self-government of the movement, free of any state supervision.

These supervising bodies are the auditing federations (*Revisionsverbände*) of which the cooperatives are members and which in turn audit and guide the cooperatives within their district. Raiffeisen favored a more centralized and educational audit organization than Schulze-Delitzsch; but due to the great expansion of the whole cooperative movement, the organization had to be of a decentralized character. An important step in the history of the movement was taken in the Cooperative Societies Act of 1889. By this act compulsory auditing of the cooperatives was provided. The audit was to be done either by one of the auditing federations of the cooperatives or by a public auditor appointed by the municipal court. It was remarkable that the cooperatives were thus able at the time of the enactment of the law to offer their own auditing organization, which had been built up all by themselves and which had already been in operation for many years. Moreover, it was the first time in German economic history that commercial enterprises or banking institutions had set up their own auditing bodies. It was only logical that with the further development of the movement the law was amended in 1932 and 1934 and the provisions regulating the auditing procedure enlarged.

The auditing federations were of the opinion that it was cheaper for the individual credit society to have the audit made by employees of the audit federation rather than by public auditors. Moreover, the rich experience that had been acquired by the employees of the audit federation was to be used for the development and education of the cooperatives. It is said by historians of the cooperative movement in Germany that without the help of those auditing federations the movement could never have achieved the success it did.

THE auditing procedure, as the law now reads, is as follows: Every second year the balance sheet, organization and management of the cooperatives must be audited in order to "ascertain the economic situation and the regularity of the management." If the cooperative has assets of over about \$140,000, the audit has to be made every year. Every cooperative has to belong to an auditing federation, which is appointed as the official auditing body and in this way empowered to perform the auditing. The



All the members are farmers' wives in the High River Pioneer Savings and Credit Union, Alberta, Canada, recently granted its charter. The ladies say they will admit other women—and men—to membership as soon as they have mastered the details of running the thing.

The lone man in the picture, presenting the ladies their charter, is C. D. Denney, assistant supervisor of credit unions for the Province.

federation employs auditors, who must be well trained and experienced in the field of cooperatives. The cooperative under examination has to show its books and other pertinent documents to the auditor. The audit is made in the presence of the supervisory committee. It is not supposed to be a substitute for the activities of the supervisory committee, but may serve to guide and educate the members of that committee in its own audits. The auditor accordingly is entitled to its full cooperation. At the end of the audit the auditor gives an oral report of his findings at a combined meeting of all the officers, the board of directors and the committees. Following this meeting the auditor sends his written report to the president of the cooperative.

THE board of directors is obliged to present this report to the membership meeting and give its own views. The auditing federation, which is to be informed of the date of the meeting, is entitled to participate in it. If the membership meeting is unduly delayed, the federation is entitled to call an extraordinary membership meeting for the special purpose of presenting the audit report.

In 1932 there were about fifty auditing federations operating throughout Germany, most of them supervising certain districts, regardless of the type of cooperative within the district, but taking care mainly of credit cooperatives. About an equal number of audit federations take care of cooperatives of special types, such as milk, consumers, building, civil service employees and other special cooperatives.

It can be said that those responsible for the educational activities of the federations did their utmost to pre-

vent irregularities and defalcations. Although there was much criticism of the operation of the auditing federations, they functioned satisfactorily. They were retained even under the new laws of the Hitler regime.

IV. During the First World War

In the light of the current emergency, the activities of the German credit cooperatives during the period of the first World War are of special interest. Considering the very personal character of a cooperative society, one could expect that calling so many men to the colors would deal the cooperative movement a deadly blow. The contrary was true.

The status of the credit cooperatives at the beginning of the war was as follows: There were almost 20,000 societies in existence with about 2.5 million members. They had 6.6 billion marks in loans outstanding. The share capital was 360, the reserves 226 million marks. Moreover, the very considerable amount of 4.6 billion marks was on deposit with them. The societies were aware of the fact that the great amount of borrowed money was a constant danger to their existence in case of sudden runs. But they kept their loans in such condition that on short notice they could call on the debtors for repayment and get their money back. The principle of liquidity was always held to be very important, so that the banks were ready to meet any emergency.

When war broke out, the expected run came. The creditors demanded their money at once for fear that it might be lost. The old superstition that money is safer at home and in the stocking revived. In many instances the societies were able to convince their creditors that the money would be just as safe with them, and

the money was left where it was. In many other cases they had to pay out, making use of the privilege of requiring preliminary notice. This condition lasted several months. But by the end of the year 1914, about five months after the war started, the deposits had for the most part been given back to the banks and their amount was even greater than at the beginning of the war.

How great the confidence of the depositors was, is illustrated by many of the East Prussian cooperatives. They had to close their business places as the Russians occupied the territory. Creditors withdrew their money. The cooperatives continued business in a limited manner in Berlin. Only after the Russians had left East Prussia could the societies re-open their banks in the towns and villages of their former activity. Sure enough, the savings accounts of their depositors came back to the banks as if to old friends.

Contrary to all expectations the scope of the activities of the credit cooperatives expanded during the war. The first task they had to master was that of subscribing to the war loans of the government. Because a large part of their own assets was current, they were in a position to invest generously in these loans. They alone subscribed about five per cent of the entire second war loan, and their subscription to all the nine war loans was 3,500,000,000 marks.

Moreover, they were an important factor in the government's campaign for placing war loans. Because they were spread over the country like a net, they could, through their central associations and federations, sound the government's call for help down to the last town and village. In this way they helped to collect gold for the Reichsbank, to promote the idea of payment by check instead of cash, to educate their members regarding the government's various war emergency measures and regulations and to aid the wives and widows of soldiers in their business difficulties. The rural population especially, conservative as always, preferred to listen to their old friends the cooperatives and thus were better able to understand the ever-changing aspects of war and its necessities.

No wonder, therefore, that the credit cooperatives stood the test of the emergency and were stronger at the end of the war than before. Although their number and membership rose only slightly, their share capital and reserves rose from around 600 to more than 700 million marks, and their total balance sheet sums from 5.4 to 11.2 billion marks.

V. Credit Cooperatives Today

The question in the mind of everybody interested in this subject is, what has become of the credit cooperatives since Hitler came to power?

Although the funds of consumer cooperatives were for the most part taken over by the new regime, the funds of the credit cooperatives were not disturbed. Only organizational changes took place. The national associations were brought in line with the Nazi spirit ("Gleichschaltung"). The National Federation of German Agricultural Cooperatives (*Reichsverband der deutschen landwirtschaftlichen Genossenschaften*), which comprises the bulk of the credit cooperatives, has become part of the all-inclusive National Peasants' Organization (*Reichsbaehrstand*). Its leader, the Reichsbauernfuehrer, is at the same time the president of the National Federation of German Agricultural Cooperatives. In the same manner, the presidents of its auditing federations are identical with the heads of the regional peasants' organizations (*Landesbauernschaften*).

The officers of the individual cooperatives are elected as before by the membership meeting. But it should be understood that in reality no board member could be elected in a totalitarian state who is not in agreement with the Nazi spirit.

Due to totalitarian principles, another change in organization was made. The Cooperative Societies Act of 1889 was amended by the provision that every single cooperative is forced

to belong to a regional auditing federation and a national cooperative association; a further amendment outlines the exact contents and classification of the balance sheet and profit and loss statement to be presented by each cooperative.

This is not the place to answer the question why the credit cooperatives were not destroyed by the Hitler regime. Two principal reasons might, however, be advanced. The first is the non-political character of their activity and by-laws. By reason of this fact they were not suspect as enemies of the new regime and were therefore left alone. Another reason lies in their sociological structure. As the statistical enumeration at the end of this article shows, they consisted almost exclusively of middle class people with some small means. And it was the middle class which was the basis for Hitler's rise to power. Even if some of them disagreed with certain measures adopted by the new government, they had been taught to obey the law of the state and they did so.

On the basis of statistics up to the year 1937, the credit cooperatives present the following picture. They are the most numerous among all credit institutions. There are in operation in Germany about 20,000 credit cooperatives, as against only 3,000 municipal savings and loan banks and an even smaller number of commercial banks serving the general credit needs of the population. Computed on the basis of a German population of about 68 million in 1937, it appears that there is one credit



This credit union office belongs to the Union County Teachers Federal Credit Union, Roselle Park, N. J. The building was dedicated October 28. The credit union was organized in March, 1935, and has over 1,700 mem-

bers and assets of \$310,000.

The treasurer of the credit union is G. G. Gudmundson, President of the New Jersey Credit Union League and a CUNA National Director for four years.

cooperative for every 3,400 inhabitants. Since the rural cooperatives are much more numerous (about 19,000) than the urban, the real picture is to be given only by segregating the two sections of credit cooperatives and comparing each with the corresponding part of the population. There are about 21 million people living in rural districts (in villages of less than 2,000 inhabitants). For these people there is one credit cooperative for about 1,100 inhabitants. Thus there is a society in operation in every one of the larger villages.

A similar picture is given by the number of members. The urban credit cooperatives have 1.16 million members, so that one out of every 40 urban inhabitants is a cooperative member. The rural credit cooperatives have about two million members, so that one out of every ten rural inhabitants is a cooperative member.

The following summary presents the status of the credit cooperatives in Germany in 1937. It may be assumed that there have not been any fundamental changes during the last few years so that this picture is valid even today.

STATUS OF CREDIT COOPERATIVES IN 1937

	Urban	Rural	Total
Number of credit cooperatives	About 1,300	About 18,000 ¹	About 19,300
Members	1,200,000	2,000,000	3,200,000
Average number of members per credit cooperative	900	107	
Number of credit cooperatives with more than 1000		20	
with 500 to 1000 members		187	
Percentage of credit cooperatives with less than 150 members		80	
Number of savings accounts of depositors		3,000,000	
	Marks	Marks	Marks
Total assets	2,000,000,000	3,000,000,000	5,000,000,000
Loans outstanding	1,400,000,000	2,000,000,000	3,400,000,000
Shares	197,000,000	75,780,000 ²	272,780,000
Reserves	81,000,000	100,000,000 ²	181,000,000
Borrowed money including savings deposits	1,454,000,000	2,500,000,000 ²	3,954,000,000
Deposits only	1,000,000,000	1,877,000,000 ²	2,877,000,000
Dividends (Average)	6 per cent		
Administrative expenses (per cent of total balance sheet sums)	2.9	1.72	
Turnover of balance sheet total during year	15 times ³	6 times	

(1) Among a total of 50,755 cooperatives, 40,487 of which belong to the National Federation of German Agricultural Cooperatives.

(2) Figures of the year 1931.

Occupation of Members (1935)	MEMBERS' SHARES		LOANS TO MEMBERS	
	In Percent		In Percent	
	Urban	Rural	Urban	Rural
Farmers and Peasants	14.2	50	19.1	60
Artisans, tradesmen, shopkeepers, etc.	45.3		66.2	
Workmen, employees	18.4	50	6.6	40
Free lance occupations and others	22.1		8.1	

The economic importance of the credit cooperatives is best illustrated by the following figures.

SHORT TERM PERSONAL AND SHORT TERM BUSINESS CREDIT GIVEN IN 1933

By	Million Marks	Per centage
Private Banks.....	900	18
Municipal (Public)		
Savings Banks.....	1,400	28
Credit Cooperatives..	2,700	54
Total	5,000	100

Finally, a comparison between the two types of credit cooperatives as to occupation of membership will show how different the composition of the membership is from that of the days when the movement originated. It particularly shows how the farming membership of the rural cooperatives is widely mixed with other occupations and that the distribution of shares among member groups is quite different from the distribution of loans.

Louisiana Gets Watkins



The Louisiana Credit Union League has appointed E. K. Watkins managing director. Mr. Watkins has been an active credit union organizer in North Dakota, his native State.

He is thirty-three, married and has a son of four and a daughter of nine months. He attended public school in Bismarck and Minneapolis, college at Jamestown College and North Dakota State College.

He began work as a grocery clerk, became a chain store manager, ran his own independent grocery store and finally sold out to a cooperative association, remaining as manager. He has organized more than twenty credit unions and is secretary-treasurer of the North Dakota Credit Union League.

Who's Who

The Minnesota League is preparing a *Who's Who in Minnesota Credit Unions*. A questionnaire has been sent to treasurers, asking for names of all individuals who have served in credit unions. These individuals will be questioned for more detailed information.

Nineteen States Permit Bond Sales

NINETEEN States and the District of Columbia now permit State-chartered credit unions to issue Defense Bonds. In eleven States, permission to act as issuing agents has been denied. How the declaration of war against Japan, Germany and Italy will affect State banking departments in this respect remains to be seen; it seems likely that most will realize that national defense is a serious issue—if they didn't think so before.

The Credit Union National Association is taking steps to make all credit unions eligible for this activity. Meanwhile, as of December 12, here is the status of State-chartered credit unions, based on reports received in THE BRIDGE office.

There are no State laws in Delaware, Nevada, New Mexico and Wyoming, and the Vermont law has been in operation for too short a time to permit much organization.

State	Permission Granted	Permission Denied	Remarks
Alabama			No report
Arizona			No report
Arkansas	x		With individual permission from Banking Commissioner
California			No report
Colorado			No report
Connecticut			No State-chartered credit unions
District of Columbia	x		
Florida	x		
Georgia	x		
Idaho		x	
Illinois		x	
Indiana		x	No report
Iowa		x	
Kansas	x		
Kentucky		x	No report
Louisiana	x		
Maine		x	
Maryland		x	
Massachusetts	x		If assets are \$50,000 or more
Michigan		x	
Minnesota	x		No report
Mississippi		x	
Missouri	x		
Montana		x	
Nebraska	x		
New Hampshire		x	No report
New Jersey	x		
New York	x		
North Carolina		x	
North Dakota		x	No report
Ohio		x	
Oklahoma	x		
Oregon		x	No report
Pennsylvania	x		
Rhode Island	x		
South Carolina		x	
South Dakota		x	No State-chartered credit unions
Tennessee			No report
Texas	x		
Utah	x		
Virginia	x		
Washington	x		
West Virginia	x		
Wisconsin		x	

Contest for Readers!

THE BRIDGE is offering prizes for the best writeups and photographs of credit union annual meetings.

What is going on at your annual meeting this year? Turn in a report on the meeting, or take some photographs of it, and send them to THE BRIDGE, Raiffeisen House, Madison, Wisconsin. Articles may be any length—short or long; photographs should be action shots rather than posed group pictures.

For each report or photograph published, THE BRIDGE will give the reader submitting it his choice of a copy of *Credit Union North America*, the fifth credit union book by Roy F. Bergengren; *You Pay and You Pay*, an exposé of legal rackets by Maurice Goldman reviewed in this issue; a year's subscription to THE BRIDGE; or ten copies of Maxwell Stewart's lively pamphlet, "Credit Unions—the People's Banks."

All articles and photographs submitted become the property of THE BRIDGE.

Small loans by mutual savings banks

A proposal that mutual savings banks in New York State be permitted to enter the small loan field is made by Irving A. J. Lawres and Sidney G. Rosenberg in the latest issue of the *Savings Bank Journal*. Mr. Lawres is confidential assistant to the New York State Superintendent of Banks; Mr. Rosenberg is a State bank examiner.

The writers deny that the small loan field is already adequately served. They say that about 1,500,000 personal loans are made annually in the State, amounting to \$400,000,000. About 40 per cent of these loans, they declare, are made by loan agencies permitted to charge interest rates of 26 and 30 per cent. They add that a complete solution to the problem does not lie in statutory reduction of maximum permissive rates of interest, but that a partial solution may be found in permitting mutual savings banks to make small loans.

They contend that savings banks, making small loans as a by-product of their regular services, could operate far more cheaply than licensed small loan companies.

*to all customers and potential customers of
the CUNA Supply Cooperative
our best wishes for a*

HAPPY NEW YEAR!

*May victory come quickly,
and with it peace and
prosperity for all!*

January 1st is the time to stock up. Here are some of the items involved:

- (1) **Annual Meeting Charts**—four charts 36 x 48, with complete equipment of gummed numerals, tape, etc., easy to make and extremely useful as a means of illustrating at your Annual Meeting just how your credit union is progressing. \$1.25 per set less 20% to member credit unions.
- (2) **CUNADEX**—the approved credit union system of visible accounting. Possibly during 1941 your Credit Union has grown large enough for visible accounting. Complete details on application.
- (3) **The Official Forms** required by Regulation W, as approved by the Federal Reserve Board, including the Statement of Necessity, etc., now ready.
- (4) **The new red, white and blue, patriotic, lapel buttons**; the "little man" enlisted for the war—\$1.60 per 100, less 20% to members. Fine for use at annual meetings.
- (5) **Extra copies of the Credit Union V poster**, indicating that your credit union has enlisted "for the duration," may be had on application.
- (6) **The approved credit union complete text book**—"Credit Union North America" essential for the proper understanding of and management of a credit union.
- (7) **A selection of 29 posters** for promotional purposes; let us make you up a set of 12, one adapted to each month; the cost is very little, the value very great.
- (8) And, finally, **our complete line** of nearly a hundred approved credit union accounting forms for State and Federal chartered credit unions.

And don't forget the small change banks, of great value to enable a member to save money consistently in small, daily units—and also remember the Credit Union Office, a combined safe, container, desk and money drawer, all under a combination lock, at a very low price for small credit unions, details and description of both items on application.

from your State League if it handles forms, or

CUNA SUPPLY COOPERATIVE

MADISON

WISCONSIN

Federal Section

By HOWARD MACE
Editor *Cooperative Saving*

ALL credit union leaders realize that this year's annual meetings are vitally important, probably more important than any other membership meetings in the history of their credit unions. The important issues which must be decided at these meetings have credit union officials keenly desirous that every member come and take part in deciding the policies of his credit union in these trying times. They know that the test of all cooperatives, as Secretary of Agriculture Claude A. Wickard has said, is, "Do the members rule?"

In order to assist Federal credit union officials in their efforts to stimulate membership interest and to encourage attendance at the annual meeting, the Credit Union Section has published a special issue of *Cooperative Saving*. This special issue, entitled "Your Part in National Defense," features a personal message to credit union members from Vice President Henry A. Wallace. Copies have been furnished to each Federal credit union for distribution to every member.

It is felt that this membership edition of the regular Credit Union Section magazine will aid officials in their efforts to encourage membership interest and participation in credit union affairs. It should go far in helping them realize their ambition of acquainting every Federal credit union member with the problems and responsibilities which accompany credit union membership.

Stamp of Approval

Each member of the supervisory committee of the Wephila Federal Credit Union, Philadelphia, Penna., is provided with a rubber stamp which he uses to stamp his initials on every item he audits. In this way, items audited bear a mark of approval and the date so that it is easy to determine the precise extent to which the credit union records have been examined by the committee as it performs its work.

The idea, aside from its more practical benefits, encourages thoroughness and develops a greater appreciation on the part of the committee of



Credit Unions and Defense

Chapter and League leaders are gratified with the fine reception of the program as a whole and are particularly pleased that, in many cases, the board of directors meeting actually steals the show.

New Publication

Recently released from the printer is "Sitting in with the Supervisory Committee," latest publication of the Credit Union Section. This pamphlet is a reprint, slightly revised, of a series of informal, conversational articles on the powers, duties and functions of the supervisory committees of Federal Credit Unions. The series, now consolidated in this 34-page booklet, was written by W. P. Mallard, Chief, Field and Review Unit. It appeared originally in the Credit Union Section's bimonthly magazine, *Cooperative Saving*.

"Know Your Taxes"

"Know Your Taxes" is good advice as the time for filing tax returns draws closer and closer. It is even more important this year that all citizens know their taxes so that they can be prepared with a minimum of hardship to meet the heavier tax obligations which have been put into effect to help finance the defense program.

Federal credit unions, in close cooperation with the Treasury Department, are distributing copies of the pamphlet "Know Your Taxes" to all their members. This leaflet, published by the Treasury Department, presents several detailed schedules showing

the taxes which individual citizens will pay under current tax legislation. It also indicates the monthly savings needed to meet these taxes. In rendering this service to their members, credit unions have been given another chance of aiding the nation in the defense program and another opportunity of demonstrating to their members the importance of systematic savings programs. The pamphlets should be of valuable assistance to credit unions in encouraging their members to put aside regularly a share of their wages to form a fund to meet their tax bills as they fall due.

Defense Bond Month

January has been designated as "Defense Bond Month" by the Ohio Credit Union League. During the month, credit union leaders throughout the State will work together in carrying on an intensive campaign for the promotion of the sale of Defense Bonds and Stamps through credit unions.

All chapters will take part in the State-wide undertaking, devoting a full evening to the presentation of special Defense Bond programs for all credit unions in their areas. These meetings will feature group singing, the Credit Union Section's slide program and movies. Plans have been made to allow for discussion periods and for the presentation of special features.

First \$100,000,000

The first \$100,000,000 are the hardest!

However, estimates of the statistics on Federal credit unions indicate that the first \$100,000,000 of assets will soon be reached. The Credit Union Section, anticipating the reaching of this important landmark in the progress of Federal credit unions, is making plans for a celebration of the "First \$100,000,000."

It is hoped that radio time may be secured for the broadcasting of the celebration. Other plans to make the reaching of this landmark a memorable occasion in credit union history are under consideration at the present time.

To Members on Their Way To the Annual Meeting

The success of your credit union is due in large measure to the efforts of your officers and committee members. Only one is compensated; usually the compensation is quite inadequate. Why not a rising vote of thanks to the directors, committee members and employees?

Coming Events

January 17, 1942

Annual meeting, Virginia Credit Union League, Hotel Roanoke, Roanoke

January 24, 1942

Annual meeting, North Carolina Credit Union League, Hotel Sir Walter, Raleigh

January 24, 25, 1942

Annual meeting, Utah State Credit Union League, Inc., Hotel Utah, Salt Lake City

January 31, 1942

Annual meeting, New Jersey Credit Union League, Hotel Berkeley Carteret, Asbury Park

February 8, 1942

Annual meeting, Kentucky Credit Union League, Louisville

February 13, 14, 1942

Annual meeting, Oregon Mutual Credit League

February 14, 1942

Annual meeting, Maryland Credit Union League, Southern Hotel, Baltimore

February 14, 15, 1942

Quarterly meeting, board of directors, CUNA Mutual Insurance Society, Portland, Oregon

February 21, 22, 1942

Annual meeting, Louisiana Credit Union League

March 7, 8, 1942

Annual meeting, Nebraska Credit Union League, Hotel Lincoln, Lincoln

March 13, 14, 15, 1942

Annual meeting, Kansas Credit Union League, Hotel Allis, Wichita

March 20, 21, 22, 1942

Annual meeting, California Credit Union League, Hilton Hotel, Long Beach

March 20, 21, 22, 1942

Annual meeting, Ohio Credit Union League

March 21, 1942

Annual meeting, Connecticut Credit Union League, Hotel Bond, Hartford

March 27, 28, 1942

Annual meeting, Texas Credit Union League, Blackstone Hotel, Fort Worth

April 10, 11, 1942

Annual meeting, South Dakota Credit Union League, Sioux Falls

April 17, 18, 19, 1942

Annual meeting, Missouri Mutual Credit League, Jefferson Hotel, St. Louis

April 18, 1942

Annual meeting, Pennsylvania Credit Union League

April 25, 1942

Annual meeting, Tennessee Credit Union League, Patten Hotel, Chattanooga

May 8, 9, 1942

Annual meeting, Minnesota League of Credit Unions, St. Paul

May 23, 1942

Annual meeting, Iowa Credit Union League

Note: the meetings of CUNA Executive Committee and CUNA Supply board of directors, which were to have been held in December, were postponed. No date had been set for them as this issue went to press.

"SERVICE AS USUAL"

*is again the battle-cry
for credit unions during
the trying days ahead*

and speaking of service—
what better service can you
render your members than by
providing them with

LOAN PROTECTION
and
LIFE SAVINGS INSURANCE

through the credit unions' own
mutual service organization?

**CUNA MUTUAL
INSURANCE SOCIETY**

MADISON

WISCONSIN.

from the

Managing Director

By Roy F. Bergengren

I KNOW how most credit union mothers and fathers and young men and young women are feeling this Christmas. We have boys in camp, most of us. We know that we face the realities of war. Many of us remember the World War. We know what it means. It isn't easy to say "Merry Christmas"; we haven't much faith that this is going to be a "Happy New Year."

There is something, however, tangible and very precious in the air this holiday season. We have closed ranks as a people. We have found a common understanding in common determination. We have found love in the need of it from our fellows. We have borrowed courage from our neighbor and loaned him some of ours.

We have discovered that this is still America—that "our flag is still there"—that we still love it, passionately above all other passions—that ours is the land of the free, the one place where creed and color and race are submerged in love of country.

We are democracy—not democracy at bay, but democracy on the march to certain victory.

And there is a thrill in it, like finding a gold nugget where just before there seemed to be no gold. If it takes a war to make a people find their true character, then wars are not entirely in vain.

We must keep records that we may know how many credit union members serve with the colors. We shall be proud to know, for our enlistments will be an army in itself. We must determine and keep the record as regards war securities bought by credit unions and credit union members. We must explore every possible avenue of service and keep the record, for we are about to write a new and beautiful page of the history of cooperative credit in the world.

And we must resolutely face new problems.

What are some of them?

Let's take first the matter of credit. The Government does not want us to buy ice boxes and washing machines and new automobiles and the thousand and one other things which require metals now desperately needed in defense industries. The Government needs these metals; the Government needs the factories which build these things. Better a shell than an

ice box! Better a tank than its equivalent value in new pleasure cars!

We must stop buying these things. There will be other rules which may seem to interfere with our usual way of life. It will be a great privilege to obey them all. And this does not affect our normal business. We must still make loans for sickness, for births and deaths, for education, to buy off loan sharks; there are another thousand and one things which we can do and which the Government expects us to do to help our people.

So we must take Regulation W affirmatively, not negatively. See what we can do in our usual credit field and do it with all our might.

FURTHER—we must take chances. War is a business of taking chances. The side which risks the most and does it with the most intelligence and the highest courage, has the best chance to win. War is no business for those of little faith. It cannot be won without courage. Therefore the credit union should serve the family of its member in the field. We shall have hundreds of thousands of members in the army, the navy, the air force, the marines. When the family of a member needs a lift we should be so organized that (1) we will know about it and (2) we will extend the help needed.

This involves taking chances. It is



On sale at your Post Office
or Credit Union

a part of our wartime contribution.

Another thing—a credit union is first a thrift agency. We are going through a period when most of our members, not in the armed forces, have exceptionally good jobs at home. But—what of the rainy day? This war, thank God, will end. I believe it will end relatively soon. As no one shares this opinion, I am probably wrong but, soon or late, it will end. Where will the now well paid employee be then, when the bottom drops out of the munitions business?

I went through one war. I came into the credit union movement shortly after it was over. I know how badly off most folks were who could have saved some money during the war but didn't. Obviously it is one of the biggest jobs of the credit union to induce all of our members to save money. And we should not worry about the effect of a great stimulation of savings on our dividends. Who cares about dividends in times like these? Possibly we have paid too high dividends. Certainly substantial savings are to be preferred over excessive dividends on too small savings. We exist for service, not for profits. And, as we accumulate savings, these savings must go to financing the war. We must stimulate the buying of war securities in every conceivable way, by credit unions, by credit union members.

Thrift has become a prodigiously important word in the credit union language.

Next, we must stick everlastingly together. We are going to need our organizations more than ever. A new job of the chapter is to find new types of service to which credit unions, as organized groups, can devote themselves as further contributions to the successful conclusion of the war. And we must be organizing new credit unions that we may serve more people. The National Association and the Leagues must perform greater and greater service.

Just as there is unity among our people and a grim determination to see this war through, so there must be unity within the credit union movement that we may make a major contribution to that same end.

Finally—we will have faith. There can be only one end of this war. We all know what it is so well that I will not even state it. We must have courage. Liberty, from the days of Valley Forge to the Argonne, has been worth the bloody price we have paid for it. We must keep our chins up, our thumbs up, our courage high. It is our privilege now to match sacrifice with the long line of forefathers whose sacrifice made America.

THIS CREDIT UNION HAS ENLISTED



1. Our first objective is to win the war.
2. We pledge complete cooperation in the sale and purchase of war fund securities and in every other service for our country.
3. We pledge the continuation of every possible service to our members consistent with the national program.
4. We pledge ourselves to foster the growth of credit unions.
5. We will help our members accumulate savings, that they may have vitally needed financial resources when the war is over.
6. We will have complete, unquestioning faith in God, Who has greatly blessed America, in the rightness of our cause, in ourselves and our credit unions.
7. We will have the courage not to limit our services because of uncertainty and fear.
8. We will, individually and collectively, cheerfully face the future.
9. We will close ranks and unite our energies for the great common tasks ahead.
10. We will remember Washington, Lincoln and every great man on whose sacrifices America has been built, and prove our worth by matching their sacrifices.

FOR DEMOCRACY

A copy of this two-color poster has been mailed to every credit union in the United States by the Credit Union National Association.



Don't Forget!
TO ATTEND THE
ANNUAL
MEMBERSHIP
MEETING of your
CREDIT UNION

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Form Ed. 628